



The President's Daily Brief

September 23, 1975

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FOR THE PRESIDENT ONLY

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LEBANON

Fighting continued yesterday in Beirut and the government again warned residents that all streets in the city were dangerous. Fighting also picked up again in the northern city of Tripoli.

Last night, the right-wing Phalanges Party as well as left-wing and fedayeen groups agreed again to abide by the cease-fire concluded on Saturday night. The Phalangists may be more willing to observe the cease-fire this time because they are reportedly low on ammunition.

The US embassy in Beirut believes that nearly all the forces, except for the Communists and the fedayeen "rejectionists," now would like to see an end to the fighting, but each continues to insist on its own terms. The current cease-fire does not provide for the removal of barricades and armed men from the streets of the capital. The embassy notes that, without such a clause, the entire arrangement is at the mercy of the least disciplined and doubts that the cease-fire can be enforced effectively.

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Syrian Foreign Minister Khaddam continued his mediation efforts yesterday.

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PORTUGAL

The new government is not going to receive a honeymoon period from the Communists, who are reluctant to give up the gains they have made.

The party is challenging the Azevedo government on agrarian reform issues and is attempting to block efforts by the new administration to restructure local governments that the Communists control. Similar blocking efforts are likely in the media, labor, and the government bureaucracy.

Meanwhile, the Communist-dominated Democratic Movement is attempting to foment unrest among industrial workers. The Movement has promised a "period of social agitation," and is supporting a one-hour strike called by steelworkers for tomorrow.

Some military officers are unwilling to risk their "revolutionary" credentials by supporting the new government. Security chief Carvalho, for example, has announced that he intends to keep his distance and "to enter decidedly into the opposition" if the government shows any sign of a turn to the right.

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CHINA

China, although nominally a "workers' state," has had to contend for more than a year with worker strikes, absenteeism, and slowdowns. The government seems unable to cope with these phenomena. Indeed, there may even be those within the leadership who sympathize with the workers' demands. Repeated exhortations have been issued in an effort to end the strikes and increase production, but the country's leaders apparently have taken no firm action against the strikers, and the basic issue--wages--has been sidestepped. These factors, together with bottlenecks in the mining and transport industries, are contributing to a marked slowdown in the rate of industrial growth.

The strikes, although economically motivated, seemed to grow out of the political instability generated last year during the so-called anti-Confucius campaign, which reflected the rivalry and policy differences within the national leadership. While some factories were thrown into disarray as workers used the campaign to attack factory managers for political wrongdoing, other workers apparently seized the opportunity to press home their demands for higher wages. This was the first widespread activity of this sort since January 1967, when similar demands occurred in the confusion of the Cultural Revolution.

A meeting of the National Peoples' Congress, China's legislature, in January this year contributed to a recurrence of labor unrest. Expectations that the congress would approve a wage hike proved groundless. In addition, the new constitution adopted at the congress gave workers the right to strike, providing a legal outlet for their growing frustration.

As was the case last year, the steel and railway industries apparently have been the hardest hit by this year's strikes, which continued at least through August. Work stoppages reportedly kept the

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iron and steel industries from meeting production goals for the first half of the year, and wage-related strikes also contributed to rail disruption. In addition, these industries are suffering from the cumulative impact of inadequate capital investment over the past several years.

Most workers have not had a pay raise since the 1950s, and the cost of living, although low by Western standards, has risen somewhat over recent years. After 26 years of Communist rule, the Chinese people have found that the state has taken care of their basic necessities. While this is no small accomplishment, the populace now seems ready for something more than the barest essentials, and a cycle of rising expectations may have set in.

Nonetheless, the people are again being asked to tighten their belts as China embarks on a long-range economic plan designed to bring the country into the front ranks of the industrialized nations by the end of the century. Peking's dependence on worker cooperation in this economic effort has left China's leaders vulnerable to pressure from the workers. In essence, they have demanded more compensation for their cooperation.

This presents Peking with a dilemma. Aside from the obvious cost of an across-the-board pay raise, giving in to workers' demands would set a potentially dangerous precedent at a time when Peking is trying to promote stability throughout the country.

Repressive measures against the strikers present even greater hazards. After four years of gradually removing the army from factories, schools, and other civilian institutions in the interest of restoring party supremacy, Peking clearly is reluctant to use the military again in the factories. Troops have been used to quell disorders caused by political disputes between contending groups of workers, but there is no evidence that the army has been employed against strikers complaining about wages.

The government obviously cannot allow the strikes to go on indefinitely and will eventually have to come to grips with the wage issue--or, reluctantly, use force against the strikers. Whatever decision it finally makes will certainly carry with it significant economic or political costs.

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NOTES

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Jordan

Syria

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Panama's release over the weekend of confidential US and Panamanian negotiating positions was not designed to torpedo the canal treaty talks. It was a domestic political tactic.

The government was trying to show Panamanians that it is keeping the initiative and rejecting US proposals that it says could infringe on Panama's sovereignty. It said nothing to throw doubt on its basic commitment to the talks--but now, of course, it will be more difficult for Panama to compromise. General Torrijos, it would seem, is banking on further significant concessions from the US.

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East German

Soviet

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